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Operational activities for development: quadrennial comprehensive policy review of operational activities for development of the United Nations system

Provisional analysis of funding of operational activities for development of the United Nations system for 2011

Report of the Secretary-General*

Summary

Contributions

General

Total contributions to operational activities for development of the United Nations system in 2011 amounted to some $22.9 billion, a decrease of 7 per cent in real terms compared with 2010, and accounted for about 15 per cent of total official development assistance (ODA) (excluding debt relief) as reported by the Development Assistance Committee of the Organization for Economic Cooperation and Development (DAC).

Decrease in funding for development-related activities in 2011

About 67 per cent of funding was directed to longer-term development-related activities as against 33 per cent directed to activities with a humanitarian assistance focus. Contributions for development-related activities decreased by some 8 per cent in real terms in 2011, while funding for humanitarian assistance, a volatile item, decreased by 3 per cent in real terms.

* The delay in the submission of the report was due to the late receipt of inputs from some organizations.

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Growing imbalance between core and non-core funding

Some 73 per cent of total funding for operational activities for development in 2011 was non-core and thus characterized by varying degrees of restrictions with regard to its application and use. Core funding for development-related activities declined in real terms for the second consecutive year in 2011. Currently, some 68 per cent of development-related contributions are non-core, compared with 40 per cent in 1996.

Longer-term funding trends positive, but since 2008, growth has stagnated

In the period from 1996 to 2011, overall trends have been positive for both development- and humanitarian assistance-related activities. In this 15-year period, funding for development-related activities grew by 102 per cent; humanitarian assistance-related activities by 108 per cent; and non-core development-related contributions by 239 per cent, all in real terms.

Overall, contributions for United Nations operational activities for development grew at a faster rate during this 15-year period than total ODA as reported by DAC. However, almost all of this growth was in the form of non-core resources, resulting in the core ratio for operational activities for development declining from 50 per cent in 1996 to 28 per cent in 2011.

However, in the most recent three-year period (2008 to 2011), funding for operational activities for development has stagnated. Since 2008 and in real terms, overall funding has dropped by 2 per cent and core resources have declined by 8 per cent. During the same period, overall funding for development-related activities increased slightly, or 2 per cent, but core funding dropped by 6 per cent, both in real terms. During the period 2008-2011, total funding for operational activities for development has declined by 2 per cent, in real terms, while total ODA (excluding debt relief), as reported by DAC, has grown by 8 per cent.

Funding base broadened

The funding base for operational activities for development has seen general broadening between 1995 and 2011, with the share of contributions from non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds) increasing from 7 per cent in 1995 to 15 per cent in 2011. This share is even higher at 20 per cent, when looking at development-related activities only. While the absolute volume of direct contributions of DAC countries increased by 86 per cent in real terms during this period, their overall share of total funding for operational activities for development declined from 71 to 62 per cent.

United Nations system the largest multilateral partner of DAC countries

Some 30 per cent of all direct contributions to the multilateral system in 2010, as reported by DAC, were channelled through the United Nations development system, making the Organization the largest multilateral partner of DAC countries.

Contributions from developing countries growing

Contributions from developing countries (excluding local resources) for operational activities for development were $725 million in 2011 and have increased by some 80 per cent in real terms between 2006 and 2011. In addition, developing countries contributed some $1.2 billion in the form of non-core local resources for programming in the contributing country itself.

Non-core funding highly fragmented

Some 91 per cent of non-core funding for development-related activities in 2011 was single donor and programme- and project-specific, thereby contributing to the fragmentation of resources flows, with a consequent impact on overall programme coherence, efficiencies and transaction costs. Contributions to pooled funding arrangements such as multi-donor trust funds, including "One United Nations" funds and thematic funds of entities, accounted for the remaining 9 per cent of non-core resource flows and have decreased by some 18 per cent compared with 2010.

Burden-sharing among DAC countries

DAC countries accounted for 84 per cent of total core resources for development-related activities in 2011, with a significant difference in individual contributions if measured as a share of gross national income. If in 2011, the median core development-related funding/gross national income (DEV/GNI) ratio were to be set as a minimum target for a system of negotiated pledges, total core contributions would increase by some $2.6 billion, or 52 per cent, to $7.4 billion.

Expenditures

General

Some 70 per cent of the total expenditures of $24.5 billion for operational activities for development in 2011 concerned programme activities at the country level, of which 47 per cent, or $8.0 billion, were in Africa. The remaining 30 per cent of total expenditures related to global and regional programme activities and programme support and management activities.

Expenditures on development-related activities reached $16.6 billion in 2011, an increase of 15 per cent in real terms since 2006. About half of development-related expenditures (excluding local resources) at the country level were spent in low-income countries.

Core resources subsidize support costs of non-core funding

There is a significant difference between core and non-core funding sources in the distribution of the total programme support and management costs of organizations. Consequently, the remaining shares of available resources for actual programme activities differ greatly as well: only 64 per cent for core funding as against 90 per cent for non-core funding in 2010 (2011 figures not yet available). Applying a full cost recovery rate in the order of 15 per cent across the board would result in a release of some $556 million core resources for programme activities, or the equivalent of some 23 per cent of the current level of core programme activities (see A/67/94-E/2012/80 for further detail).

Recommendations

The General Assembly may wish to:

(a) Stress that core resources, because of their untied nature, continue to be the bedrock of operational activities for development of the United Nations system. In this regard, the General Assembly may wish to reaffirm the importance of adequate, stable and predictable core resources for enhancing the coherence, effectiveness and efficiency of United Nations operational activities for development;

(b) Note with concern the declining trend in total contributions to the United Nations development system in the 2008 to 2011 period, as well as the ever growing imbalance between unrestricted core and highly fragmented restricted non-core funding for operational activities for development and the manner in which such imbalance may distort overall programme priorities that flow from the established mandates and priorities of the respective United Nations entities;

(c) Acknowledge the efforts undertaken by the Executive Boards of funds and programmes and the governing bodies of the specialized agencies to increase the flexibility of non-core resources, while avoiding excessive fragmentation, by creating and promoting alternatives to tightly earmarked non-core funding such as thematic funds, multi-donor trust funds and other loosely earmarked funding mechanisms linked to their strategic plans;

(d) Request the President of the Assembly to organize in the first half of 2014 a high-level policy dialogue on funding of operational activities for development of the United Nations system within the broader context of the upcoming intergovernmental discussions on the post-2015 development agenda. In this connection, the General Assembly may wish to:

(i) Request the Executive Boards of the funds and programmes and the governing bodies of the specialized agencies, as appropriate, to undertake a structured dialogue on how to finance the development results to be achieved in the new strategic planning cycle of the respective entities with a view to addressing core/non-core imbalances, making non-core resources more predictable and less restricted, broadening the donor base, and improving the adequacy and predictability of resource flows;

(ii) Encourage OECD/DAC member Governments and other Member States in a position to do so, to undertake consultations on how to enhance burden-sharing of core funding for development-related activities of the United Nations system and, in particular, how a more equal burden-sharing can be achieved by donors shifting single-donor, programme- and project-specific non-core contributions to pooled funding mechanisms or core resources. In this regard, the General Assembly may wish to encourage DAC member Governments and other Member States in a position to do so, to consider the possibility of adopting an alternative funding model for providing core resources to the funds and programmes such as "voluntary indicative scale of contributions";

(iii) Request the funds and programmes to propose a definition of the concept of "critical mass" of core resources to achieve priority development results and maintain core organizational capacities in the strategic plans of the entities and present a specific proposal in this regard to the respective Executive Boards at the fall session in 2013;

(iv) Encourage the implementation of joint programming among members of the United Nations development system through the use of core funds; [not delete]

(e) Encourage DAC member Governments and other Member States in a position to do so, to increase contributions to multi-partner trust funds and One United Nations funds at the global and country levels with a view to enhancing the coherence, effectiveness and efficiency of the support of the United Nations development system to programme countries. In this connection, the General Assembly may wish to request the United Nations development system to develop an option paper highlighting existing pooled and joint funding mechanisms applied at the global, regional and country levels, including a full review of the role played by One United Nations funds at the country level and the future role they might be expected to play in the funding of the One United Nations programmes, particularly in the countries adopting the delivering-as-one approach;

(f) Request that as a standard practice, all available and projected financial contributions for operational activities for development of the United Nations system at the country level be consolidated within a common budgetary framework which would not constitute a legal constraint on the spending authority of funds, programmes and specialized agencies, and to use the frameworks to strengthen the quality of system-wide resources planning in support of the United Nations Development Assistance Frameworks. In this regard, the General Assembly may also wish to request resident coordinators, in support of their leadership role of resource mobilization efforts at the country level, to maintain a record of all contributions received from all funding sources for operational activities for development of the United Nations system in the respective programme country, including those provided in non-financial terms, and provide this information in the resident coordinators' annual reports. In this regard, the General Assembly may also wish to request the funds and programmes and encourage the specialized agencies and other relevant entities of the United Nations development system to provide the necessary information on contributions to the resident coordinator;

(g) Request the Executive Boards of the funds and programmes and the governing bodies of specialized agencies, as appropriate, to adopt by the end of 2013 cost recovery rates that ensure that the use of core resources to cover costs related to the management of non-core funds and their programme activities is avoided. In this regard, the General Assembly may wish to request the Executive Boards of funds and programmes to consider adopting harmonized differentiated cost recovery rates that provide incentives to donors to increase core funding and/or more flexible, and less earmarked, use of non-core contributions at the programme or sector level;

(h) Request the Secretary-General to continue to strengthen the analytical quality of system-wide reporting on funding for United Nations operational activities for development, including the coverage, timeliness, reliability, quality and comparability of system-wide data, definitions and classifications;

(i) Request the United Nations Development Group to develop a common standard for reporting on financial data based on its Results Reporting Principles, adopted in 2011. Upon completion of the new standard, the relevant governing bodies of all United Nations entities could consider adopting this standard for all their agency-specific reports and a United Nations system-wide financial data warehouse should be established.

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Acronyms

CEB	United Nations Chief Executives Board for Coordination
DAC	Development Assistance Committee
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GNI	gross national income
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees

UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNODC	United Nations Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNV	United Nations Volunteers
UNWTO	World Tourism Organization
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. Introduction

Structure and coverage of the report

1. The present report focuses on the 37 United Nations system entities (funds, programmes and agencies) that received funding for operational activities for development in 2011. These entities constitute what is generally referred to as the United Nations development system and together accounted for over 95 per cent of all United Nations system-wide operational activities for development. Detailed statistical data used as the basis for the presentations and analyses in the present report are contained in the statistical annex, which is available on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination of the Department of Economic and Social Affairs (http://www.un.org/en/development/desa/oesc/funding.shtml).

System-wide reporting: opportunities and challenges

2. There are currently three main actors who report on funding for the United Nations system: the Department of Economic and Social Affairs (the Department), the United Nations Chief Executives Board for Coordination and the Development Assistance Committee of the Organization for Economic Cooperation and Development. The Department and DAC focus on operational activities for development, each from a different perspective. CEB focuses more generally on the overall budgetary and financial situation of the entities of the United Nations system.

3. With regard to access to information, in resolution 63/311, the General Assembly requested the Secretary-General to establish a central repository of information on United Nations operational activities for development. This central repository became operational earlier in 2012 and now forms part of the financial statistics database and reporting system that is being developed by CEB. Through collaboration, the Department and CEB have achieved rationalization and harmonization of data collection. This collaboration has also enhanced timeliness of reporting of information, which has allowed the Department to provide provisional data for 2011 in the present report. The Department has also increased its collaboration with DAC to enhance the comparability and complementarity of data and information.

4. Annex I contains a technical note on issues and challenges pertaining to system-wide reporting. These relate to the use of terminology, sources and coverage, as well as comparability of data and information between the different United Nations entities.

Operational activities for development

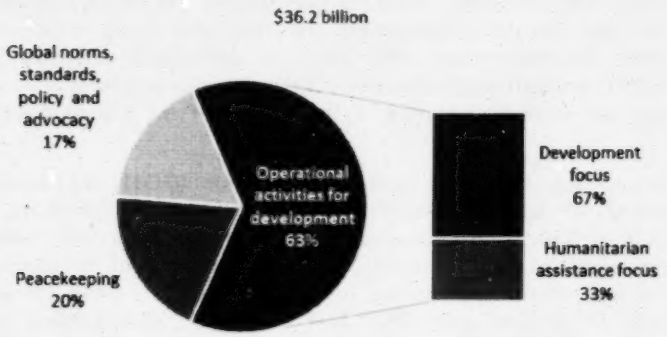
5. Operational activities for development of the United Nations system are activities that United Nations entities carry out with the promotion of development as the primary objective. A number of entities have specific mandates in this regard. Operational activities for development cover both longer-term development activities and those with a shorter-term humanitarian assistance focus.

6. With regard to the distinction between development- and humanitarian assistance-related activities, no harmonized system-wide classification exists. For

purposes of the current report and pending the introduction of such a classification system, all activities of UNHCR, UNRWA and the Office for the Coordination of Humanitarian Affairs, the emergency operations of UNICEF (some 26 per cent of all activities) and the humanitarian operations of WFP (some 91 per cent of all activities) are considered to be humanitarian assistance-related. Accordingly, all other activities are treated as being development-related. Many of the more detailed analyses contained in the current report concern development-related activities in particular.

7. As reflected in figure I below, operational activities for development in 2011 accounted for about 63 per cent ($22.9 billion) of all United Nations system-wide activities ($36.2 billion). Peacekeeping operations accounted for 20 per cent ($7.1 billion) and the global norm and standard-setting, policy and advocacy functions of the United Nations system accounted for the remaining 17 per cent ($6.2 billion).

Figure I
Financing of United Nations system-wide activities, 2011



Core and non-core resources

8. Operational activities for development are funded by a combination of so-called core and non-core resources. Core resources are those that are commingled without restrictions and whose use and application are directly linked to the multilateral mandates and strategic plans of the entities, which are approved by the respective governing bodies as part of an intergovernmental process.

9. In contrast and as determined by the contributors, non-core resources are mostly earmarked and thus restricted with regard to their use and application. The degree to which the use and application of non-core resources are subject to and aligned with the strategic plans approved by governing bodies is not direct.

10. Core or unrestricted aid is generally seen as a more efficient way of building relevant and effective partnerships with programme countries in the delivery of operational activities for development. Core resources provide the highest quality and flexibility of pooled funding. They are critical for ensuring the capacity of the entities to deliver on their multilateral mandates and provide continued substantive leadership and innovation around specific goals, advocacy and policy work, in

addition to programmatic implementation on the ground. Core resources are central to ensuring their independence, neutrality and role as trusted partner in a rapidly changing development cooperation landscape. Restricted aid in the form of non-core resources, on the other hand, is often seen as potentially distorting programme priorities by limiting the proportion of funding that is directly regulated by intergovernmental governing bodies and processes. Restricted aid is further seen as contributing to fragmentation, competition and overlap among entities and providing a disincentive for pursuing a United Nations system-wide focus, strategic positioning and coherence. In addition, restricted aid is found to increase transaction costs, especially because of its predominantly single donor and programme-and project-specific nature.

11. Financing of operational activities for development in the form of non-core resources has grown significantly over time and accounted for some 72 per cent of total resources in 2011, as compared with 50 per cent in 1996. Looking at development-related activities alone, non-core resources accounted for some 68 per cent of total resources in 2011, as compared with 40 per cent in 1996.

12. Some 7 per cent of non-core resources is in the form of so-called local resources, or resources that programme countries contribute to entities for programming in the country itself. Whenever so indicated and deemed appropriate, this component is excluded in some of the analyses presented in the current report.

Official development assistance and other aid

13. The report makes several references to ODA when analyses are undertaken to compare operational activities for development with other development assistance. Two versions of ODA (excluding debt relief) are being used, both as defined by DAC: (a) ODA provided by DAC Governments only ($129.6 billion in 2011); and (b) total ODA ($151.9 billion in 2011). Total ODA includes aid flows that are reported to DAC by countries that are not members of DAC. It is understood that neither one of the above versions of ODA captures the totality of development assistance.[1]

Current versus real terms

14. In the present report, comparisons and trend analyses in "real terms" are based on amounts expressed in constant 2010 United States dollars by applying deflators published by DAC. These deflators take into account the combined effect of inflation and exchange rate movements.

II. Overview

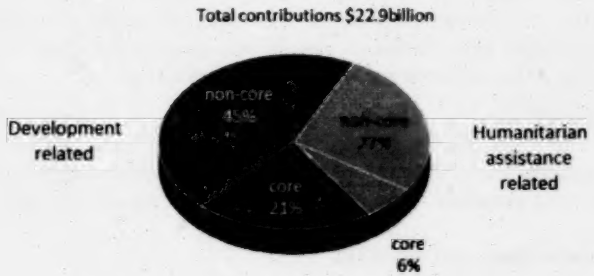
15. The present section provides a general overview of selected aspects of the funding for operational activities for development. Subsequent sections provide more detailed analyses, including of key trends, issues and perspectives.

[1] In this connection, it was estimated that in 2010 private flows amounted to some $30 billion and South-South development cooperation to some $14 billion (see E/2012/78), expanding the notion of total development assistance to roughly $174 billion in 2011, assuming that private flows and South-South development cooperation did not change significantly in 2011.

Contributions

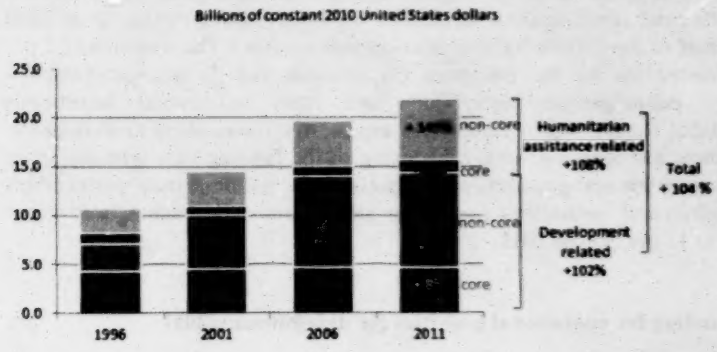
16. Total contributions for operational activities for development amounted to $22.9 billion in 2011, a decrease of 7 per cent in real terms compared with 2010. Some 67 per cent ($15.2 billion) was directed towards development-related activities and 33 per cent ($7.6 billion) to humanitarian assistance-related activities (see figure II below). Some 68 per cent of development-related contributions and 81 per cent of humanitarian assistance-related contributions were non-core and thus earmarked.

Figure II
Contributions to operational activities for development, 2011, by type



17. Figure III below provides an overview of the real-term growth of funding for operational activities for development over the period 1996 to 2011. While overall trends have been positive for both development- and humanitarian assistance-related activities, growth in core resources has been minimal compared with growth in non-core resources. This development and the consequent imbalance between the two sources of financing are central to the discussion about the critical mass required for United Nations entities to maintain and continually develop capacities to deliver on their multilateral mandates, including core programme activities on the ground, to provide substantive leadership and innovation, and ensure their independence, neutrality and strategic positioning as trusted partner in a rapidly evolving development environment. The concept of critical mass is further explored in section E. of chapter IV of the previous report of the Secretary-General on funding (A/67/94-E/2012/80).

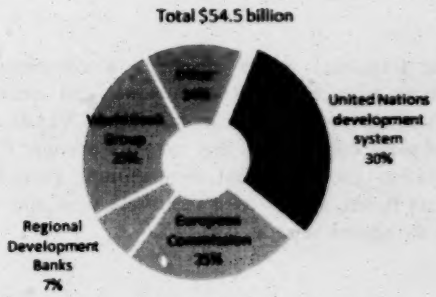
Figure III
Real change over time in funding for operational activities for development, 1996-2011 (percentage change relative to 1996)



Share of multilateral aid and total official development assistance

18. The United Nations development system remains the single largest channel for direct multilateral funding when core and non-core contributions are combined, as reported by DAC (see figure IV below). This share was estimated at some 30 per cent in 2010. The relatively large share of multilateral aid flows confirms the importance of the United Nations system in multilateral development cooperation.

Figure IV
Channels of multilateral aid, 2010

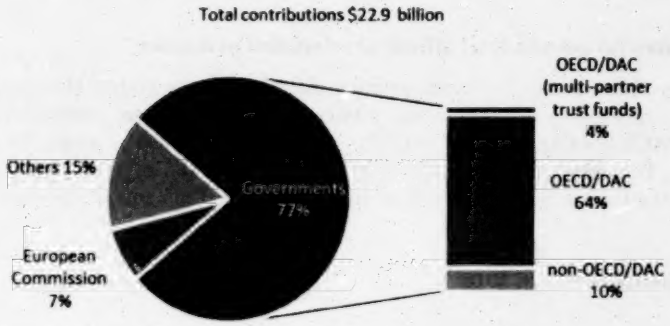


19. Funding for operational activities for development (excluding local resources) in 2011 represented some 15 per cent of total ODA flows (excluding debt relief) and funding for those activities from DAC countries accounted for 11 per cent of ODA flows from those countries.

Sources of contributions

20. As shown in figure V below, some 77 per cent of total contributions in 2011 were made by Governments directly, both DAC and non-DAC. This includes the contributions made to the so-called United Nations multi-donor trust funds that are covered by the fund administration services of the UNDP Multi-Partner Trust Fund Office on behalf of the United Nations development system.[2] The remaining 22 per cent is accounted for by the European Commission and by non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds), which themselves are mostly financed by Governments. Since 1995 there has been a general broadening of the funding base with the share of contributions from non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds) increasing from 7 per cent in 1995 to 15 per cent in 2011.

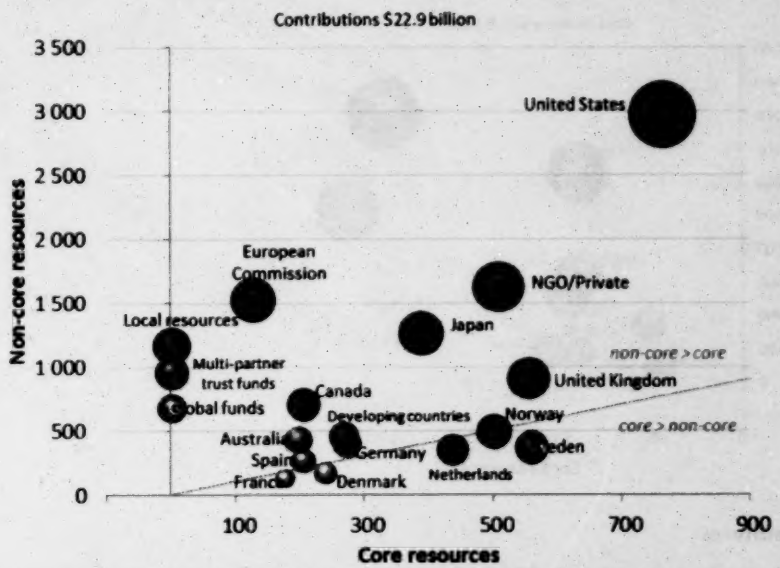
Figure V
Sources of funding for operational activities for development, 2011



21. Table A-3 of the online statistical annex provides a complete list of contributions by contributor, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core). Figure VI below shows this information for the group of main contributors that together account for 96 per cent of total funding. Information on individual contributors excludes their contributions to multi-donor trust funds, which as a relatively new and evolving type of pooled non-core funding are shown separately.

[2] Multi-donor trust funds were 85 per cent financed by DAC Governments in 2011 and are reflected separately.

Figure VI
Main contributors to operational activities for development, 2011: comparison of core, non-core and total funding
(Millions of United States dollars)

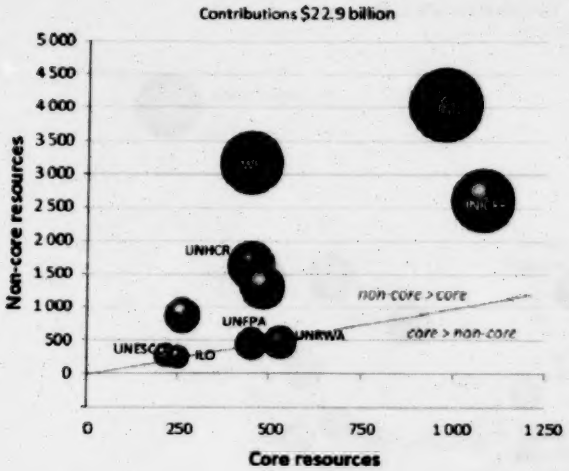


22. Total contributions from developing countries (excluding local resources) were some $725 million in 2011 and increased by some 80 per cent in real terms between 2006 and 2011. In addition, developing countries contributed some $1.2 billion in the form of non-core local resources for programming in the contributing country itself. This type of contribution to operational activities for development is equivalent to some 8 per cent of the estimated total South-South development cooperation.

Largest United Nations entities

23. Funding for operational activities for development is concentrated in a relatively small number of United Nations entities, with the top 10, namely, UNDP, WFP, UNICEF, WHO, UNHCR, FAO, UNRWA, UNFPA, ILO and UNESCO, accounting for some 88 per cent of all contributions in 2011. The top three accounted for some 54 per cent and UNDP alone for some 21 per cent. The non-core component of funding for all main entities except UNRWA and UNFPA exceeds the core component (see figure VII below). The other 27 entities, or 73 per cent of those covered by the present report, accounted for the remaining 12 per cent of funding. Table A-2 of the online statistical annex provides a full list of contributions over the last five years, by entity and type of funding (core and non-core).

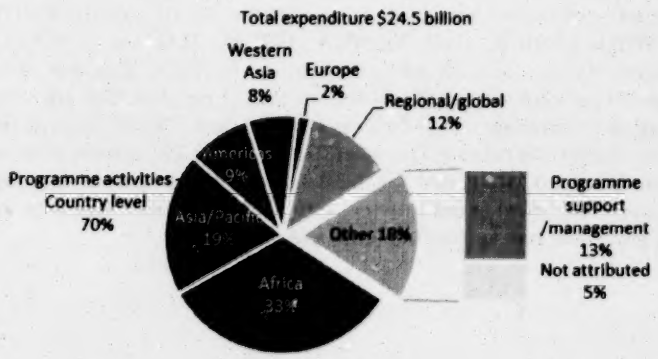
Figure VII
Main entities carrying out operational activities for development, 2011: comparison of core, non-core and total funding
(Millions of United States dollars)



Expenditures

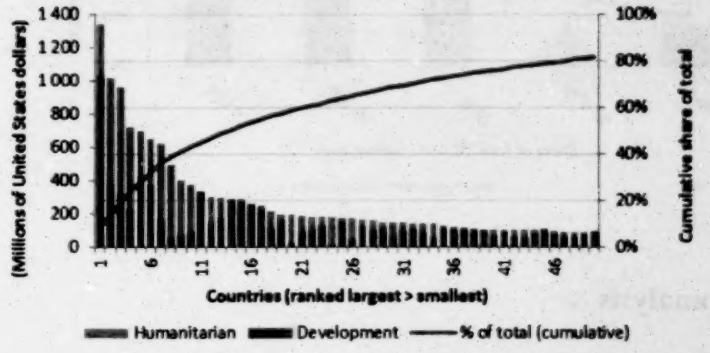
24. Some 70 per cent of the $24.5 billion in expenditures for operational activities for development in 2011 (including local resources) concerned programme activities at the country level (see figure VIII below), of which 47 per cent, or $8.0 billion, were in Africa. Accordingly, some 30 per cent of total expenditures related to programme activities at the regional and global levels, programme support and management and activities that could not be attributed to any of the above categories.

Figure VIII
Operational activities for development, 2011, by region



25. Figure IX below shows the distribution and degree of concentration of 2011 development- and humanitarian assistance-related country-level programme expenditures among the top 50 programme countries. These together accounted for 82 per cent of total programme expenditures. The top three countries accounted for some 20 per cent and the top nine countries/territories[3] for some 41 per cent of total country-level programme expenditure.

Figure IX
Programme expenditures for the top 50 programme countries, 2011



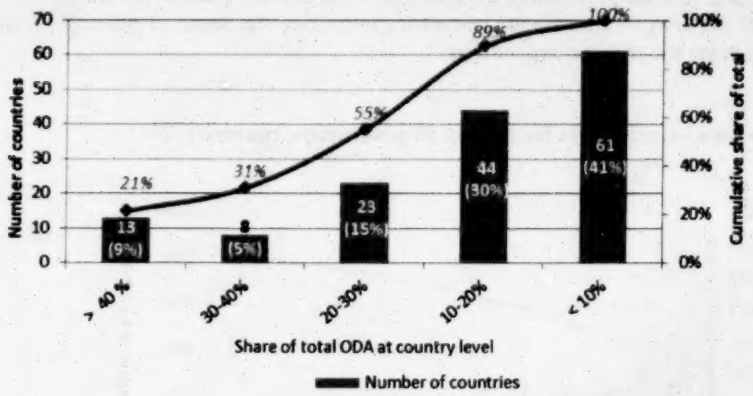
26. Table B-2 of the online statistical annex provides a full list of programme expenditures by programme country and by type of activity (development- and humanitarian assistance-related).

27. Disaggregated data on the allocation of ODA is not yet available for 2011, however a comparative analysis of total operational activities for development and total ODA at the country level in 2010 (see figure X below) shows that those activities accounted for more than 40 per cent of total ODA in 13, or 9 per cent, of programme countries.[4] These 13 countries combined accounted for some 21 per cent of total country-level ODA. At the other end of the spectrum, operational activities for development accounted for less than 10 per cent of total ODA in 61, or 41 per cent, of programme countries. This group of 61 countries accounted for some 11 per cent of total country-level activities. Most of those activities (58 per cent) were in programme countries where they accounted for between 10 and 30 per cent of total ODA.

[3] Afghanistan, Democratic Republic of the Congo, Ethiopia, Haiti, Kenya, Occupied Palestinian Territory, Pakistan, Somalia and Sudan.

[4] Barbados, Chad, Democratic People's Republic of Korea, Lebanon, Libya, Malaysia, Niger, Peru, Somalia, Sudan, Syrian Arab Republic, Thailand and Zimbabwe.

Figure X
Country-level programme expenditures (excluding local resources) on operational activities for development, 2010, as a share of total ODA



III. Detailed analysis

A. Contributions

General

28. Figure III above and table 1 below show that long-term funding trends for operational activities for development have been favourable. Total funding more than doubled in real terms between 1996 and 2011, with non-core contributions increasing to nearly three times the level in 1996. The average annual growth in total funding during this 15-year period was some 5.2 per cent in real terms. The growth has been particularly strong for development-related non-core contributions. In 2011 and in real terms, these reached a level of almost three and a half times that in 1996, corresponding to an average annual growth rate of some 8.5 per cent. This very strong growth in non-core resources stands in stark contrast to a very modest average annual growth of some 0.5 per cent in core resources. Contributions for humanitarian assistance-related activities, although generally more subject to change from year to year, also experienced significant growth of some 108 per cent in real terms between 1996 and 2011, with non-core funding increasing by 149 per cent.

Table 1
Contributions to operational activities for development, 1996-2011

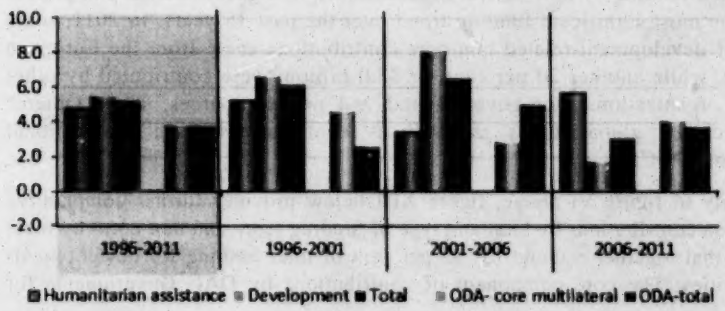
	Current United States dollars (billions)				*Change, 1996-2011 (percentage)*	
	1996	*2001*	*2006*	*2011*	*Nominal terms*	*Real terms*
Total operational activities for development						
Core	4.2	3.6	5.0	6.3	52	11
Non-core	4.1	6.1	12.6	16.5	299	198
Total	**8.3**	**9.7**	**17.6**	**22.9**	**175**	**104**
Development-related						
Core	3.2	2.9	4.2	4.9	50	8
Non-core	2.2	3.6	8.4	10.4	364	239
Total	**5.4**	**6.6**	**12.5**	**15.2**	**177**	**102**
Humanitarian assistance-related						
Core	0.9	0.7	0.9	1.4	59	22
Non-core	1.9	2.5	4.2	6.2	224	149
Total	**2.8**	**3.1**	**5.0**	**7.6**	**170**	**108**

Share of Development Assistance Committee multilateral aid and total official development assistance

29. Operational activities for development were equivalent to some 15 per cent of total ODA flows reported by DAC (excluding debt relief) in 2011. Figure XI below compares average annual real-term growth rates of total operational activities for development and its development- and humanitarian assistance-related components (excluding local resources) with those of total ODA and core multilateral ODA (excluding debt relief).

Figure XI
Average annual real-term growth rates over time in official development assistance and operational activities for development (excluding debt relief and local resources), 1996-2011

(Percentage)



30. Between 1996 and 2006, contributions to operational activities for development grew faster in real terms than both total ODA and core multilateral ODA. This was particularly the case during the period 1996 to 2001. However, since 2006, total funding for those activities has grown for the first time at a slightly lower pace than total ODA flows.

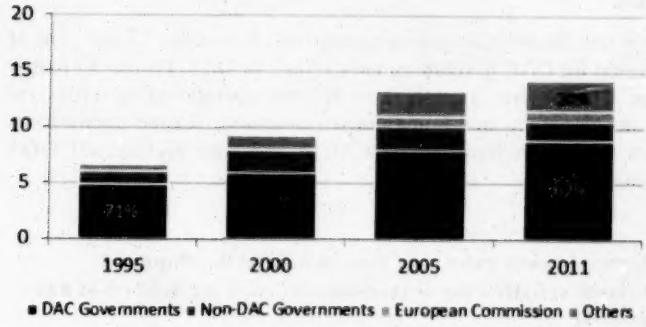
Sources of funding

31. Figure III above provides a general overview of the real-term growth of funding for operational activities for development over the period 1996 to 2011, broken down by development- and humanitarian assistance-related activities. Figure V above shows the current main sources of financing.

Development-related activities

32. Figure XII below further examines changes in the main sources of financing solely for development-related activities (67 per cent of total operational activities for development). By the end of the period 1995 to 2011, four distinct groups of contributors had emerged, which indicates a broadening of the funding base for development-related operational activities for development over time. While DAC countries increased their contributions by 86 per cent in real terms to $9.5 billion in 2011, their corresponding share of total resources declined from 71 per cent in 1995 to 62 per cent in 2011.

Figure XII
Main sources of funding for development-related operational activities, 1995-2011
(Billions of constant 2010 United States dollars)

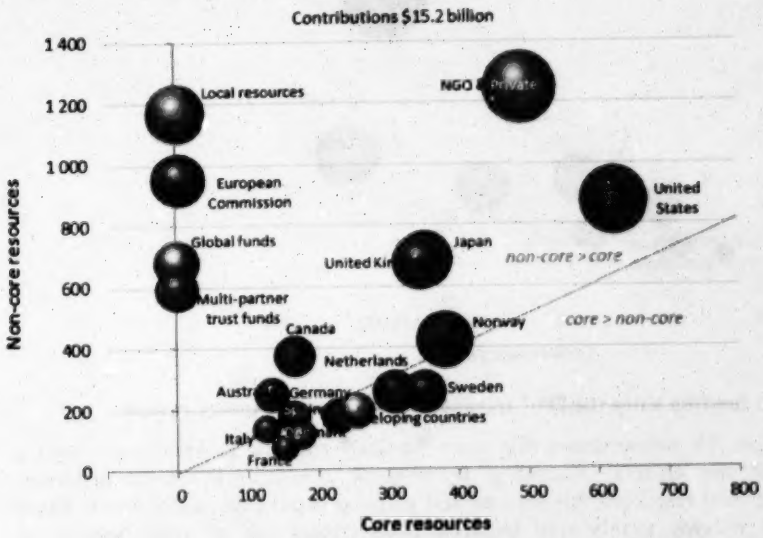


33. Increased funding by multilateral organizations, non-governmental and private sources is the most significant funding trend over the past 15 years. In 2011, some 6 per cent of development-related non-core contributions came from the European Commission, while another 20 per cent, or $3.0 billion, were contributed by other multilateral organizations, non-governmental and private sources. This "Others" category includes global funds as well as contributions from the national committees of UNICEF.

34. Similarly to figure VI above, figure XIII below provides further comparative information on contributions by total and type of funding (core and non-core) by main contributors that together account for 95 per cent of total funding for development-related activities. The core component of contributions by DAC Governments for

development-related activities (excluding contributions to multi-donor trust funds) increased from 43 per cent in 2010 to 45 per cent in 2011.

Figure XIII
Main contributors to development-related operational activities, 2011: comparison of core, non-core and total funding
(Millions of United States dollars)

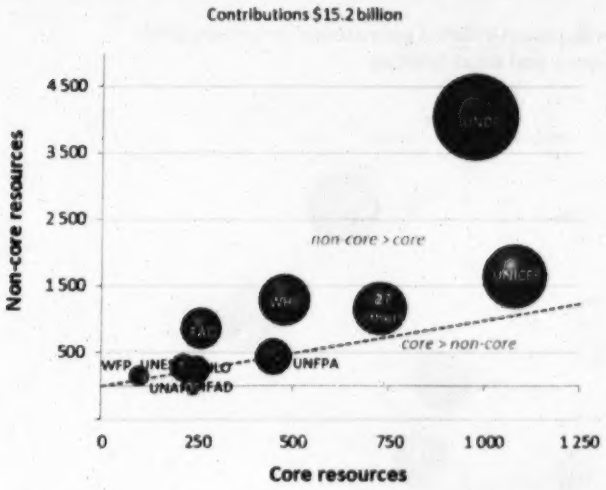


35. Contributions from developing countries for development-related activities (excluding local resources) were some $448 million in 2011 and increased by some 34 per cent in real terms between 2005 and 2011. About 56 per cent of this funding was in the form of core resources. In addition, and as shown separately in figure XIII above, developing countries contributed some $1.2 billion in the form of non-core local resources for development-related activities in their own countries.

36. Figure XIV below shows contributions for development-related activities by main entities, with the top 10, namely, UNDP, UNICEF, WHO, FAO, UNFPA, UNESCO, ILO, IFAD, WFP and UNAIDS, accounting for some 88 per cent of all contributions for development-related activities in 2011. The top four accounted for some 70 per cent and UNDP alone, as by far the largest entity, for some 33 per cent. The other 27 entities, or 73 per cent of those covered by the current report, accounted for the remaining 12 per cent. The non-core component of funding for almost all entities exceeds the core component, sometimes by a significant margin. In the case of UNDP,[5] non-core contributions in 2011 accounted for some 81 per cent of total contributions. Of these about 22 per cent was accounted for by local resources.

[5] Including funds administered by UNDP in 2011, such as UNCDF, UNV, UNDP energy account.

Figure XIV
Main entities carrying out development-related operational activities, 2011: comparison of core, non-core and total funding



Trends in funding since the 2007 triennial comprehensive policy review

37. Figure XV below shows that since the 2007 triennial comprehensive policy review of the General Assembly, funding for development-related activities, excluding local resources, has seen modest gains, or 8 per cent in real terms. These gains are roughly evenly split between DAC donors and all other sources of funding. However all the gains are in the form of non-core resources, implying that the imbalance between core and non-core has grown since 2007.

38. Table 2 below shows the percentage increases or decreases in contributions of key donors for development-related activities in the period 2007 to 2011. The data would seem to suggest that the recent economic and financial crisis has been an important contributing factor in explaining the decline in the contribution level of some major donor countries.

Figure XV
Real change in funding for development-related activities, 2007-2011 (percentage change relative to 2007, excluding local resources)

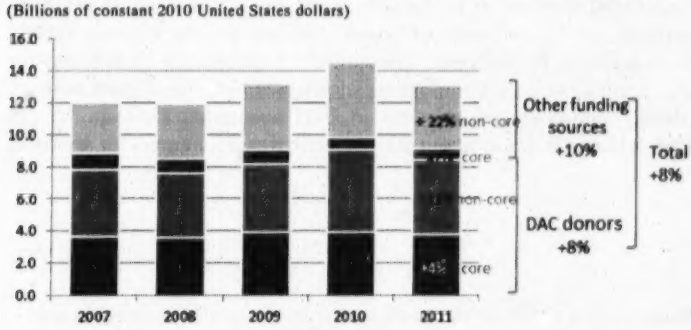


Table 2
Top movers in development-related contributions, 2007-2011

Core development-related contributions			*Total development-related contributions (excluding local resources)*		
Donor	*2011 (millions of United States dollars)*	*Real change since 2007 (percentage)*	*Donor*	*2011 (millions of United States dollars)*	*Real change since 2007 (percentage)*
Largest increases			**Largest increases**		
Australia	133	+152.6	Australia	383	+113.2
Luxembourg	27	+119.2	Finland	211	+46.1
Belgium	112	+103.8	Belgium	188	+42.8
Republic of Korea	43	+89.0	United States of America	1 501	+39.7
Finland	141	+47.6	European Commission	956	+33.0
United States of America	624	+22.1	Republic of Korea	84	+32.7
Largest declines			**Largest declines**		
Austria	20	-41.6	Italy	262	-48.8
Japan	353	-29.5	Austria	34	-41.9
Ireland	51	-29.4	Ireland	81	-41.7
Italy	126	-21.1	New Zealand	34	-34.9
Greece	8	-19.9	Spain	343	-30.4
New Zealand	26	-16.6	Luxembourg	62	-30.1
Developing countries	239	-4.8	Developing countries	416	+9.6
Overall	**4 863**	**-4.8**	**Overall**	**14 080**	**+7.1**

39. Table 3 below shows some of the top contributors to the sixteenth replenishment of the International Development Association (IDA) along with their contributions to development-related activities of the United Nations system over the past three years (excluding local resources). Since donors replenish IDA funds every three years, the table uses three-year averages to make the data comparable. The sixteenth replenishment, which was finalized in December 2010, resulted in a record high pledge of $49.3 billion to finance projects over the three-year period ending 30 June 2014. By comparison, total contributions for development-related activities of the 37 entities comprising the United Nations system totalled $41.5 billion during the three-year period starting in 2009 (excluding local resources).

Table 3
Top contributors to the sixteenth replenishment of the International Development Association
(Millions of United States dollars)

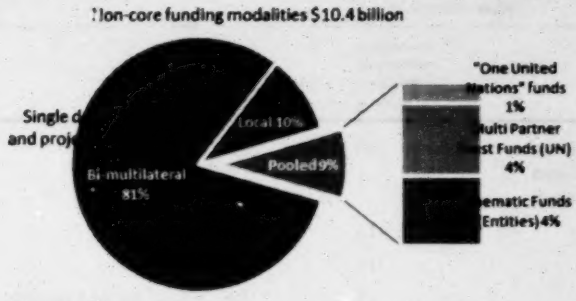
Top 10 contributors			*Top 10 non-DAC contributors*		
Donor	*Contributions to IDA three-year average*	*Average annual contribution to United Nations system (2009-2011)*	*Donor*	*Contributions to IDA three-year average*	*Average annual contribution to United Nations system (2009-2011)*
United States of America	1 359	1 531	Russian Federation	58	45
United Kingdom of Great Britain and Northern Island	1 350	868	China	54	65
Japan	1 223	963	Saudi Arabia	37	51
Germany	725	420	Brazil	33	43
France	565	213	Mexico	33	38
Canada	455	486	Kuwait	26	11
Spain	345	493	Argentina	23	13
Netherlands	336	680	Singapore	16	5
Sweden	332	587	South Africa	12	12
Italy	265	256	Chile	12	4

Non-core funding modalities

General

40. Figure XVI below provides an overview of the main non-core funding modalities for development-related operational activities that together cover some 68 per cent of all funding for development-related operational activities. In 2011, some 91 per cent of such non-core funding, including local resources, was single donor and programme- and project-specific. Contributions to pooled funding arrangements like multi-donor trust funds, including "One United Nations" funds and thematic funds of entities, accounted for the remaining 9 per cent of non-core resource flows and have decreased by some 18 per cent compared with 2010. Pooled funding remains therefore a small share of total non-core resource flows. The dominance of single donor and programme- and project-specific contributions, in particular, reflects the high degree of fragmentation of non-core funding.

Figure XVI
Non-core funding modalities for development-related operational activities, 2011



41. Many reviews in the past have highlighted the fact that the growth in fragmented non-core funding has resulted in a corresponding increase in transaction costs. Negotiating individual funding agreements and separate programme and financial reporting for hundreds or even thousands of individual projects according to widely varying sets of requirements adds significant costs. Specific support and reporting requirements often fall outside the standard operating systems and managerial processes of the entities concerned. As further discussed in the previous report on funding (see A/67/94-E/2012/80, sect. IV.C), core resources subsidize the cost of supporting activities financed from non-core resources. As a result, the share of core contributions available for programme activities at the country level is significantly lower than the corresponding share of non-core funding.

Multi-donor trust funds and thematic trust funds

42. Both multi-donor trust funds and thematic trust funds are forms of pooled resources and thus a more flexible form of non-core contributions. While the thematic trust funds are specific to, and administered by, an individual entity, the multi-donor trust funds concern multi-entity operations and are administered by the dedicated fund administration services of the UNDP Multi-Partner Trust Fund Office, on behalf of the United Nations development system. The increased use of multi-donor trust funds in recent years can be seen as a result of efforts by the international community to promote enhanced aid effectiveness, counterbalancing a high degree of fragmentation as a result of the predominantly single donor, single programme and project-specific nature of non-core resources flows.

43. Table 4 below provides information on main contributors to multi-donor trust funds in 2011 and main participating entities based on the amounts that the Multi-Partner Trust Fund Office, as administrative agents, transferred to them in 2011 for programme implementation. Contributions to multi-donor trust funds increased by 55 per cent in 2011 compared with 2010. This suggests that transfers to United Nations entities in the form of pooled funding may increase significantly in 2012.

Table 4
Multi-donor trust funds, 2011

Main contributors			*Main entities*		
Donor	*Contributions (millions of United States dollars)*	*Share of total (percentage)*	*Entity*	*Transfers received (millions of United States dollars)*	*Share of total (percentage)*
United Kingdom of Great Britain and Northern Ireland	260	31.8	UNDP	356	33.0
Norway	116	14.2	UNICEF	126	11.6
IDA	111	13.5	FAO	76	7.0
Sweden	97	11.8	Office for the Coordination of Humanitarian Affairs/ NGO	65	6.0
Netherlands	53	6.5	International Organization for Migration	49	4.5
Australia	39	4.7	WFP	47	4.4
Denmark	34	4.2	United Nations Office for Project Services	46	4.2
Ireland	21	2.5	WHO	33	3.1
Spain	18	2.3	UNFPA	30	2.7
Japan	17	2.1	ILO	28	2.6

44. In response to General Assembly resolution 64/289 on system-wide coherence, information on all existing multi-donor trust funds and thematic trust funds, including information on their mandates, performance and governance structures, was made available in 2010. This comprehensive information can be found on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination of the Department of Economic and Social Affairs (http://www.un.org/en/development/desa/oesc/funding.shtml).

"One United Nations" funds

45. "One United Nations" funds are multi-donor trust funds that were established specifically to support the "Delivering as one" pilot initiatives by providing principally unearmarked resources to cover funding gaps in "One United Nations" programmes. These funds represent an innovation to support system-wide coherence of the work of the United Nations development system at the country level. In response to resolution 64/289, an independent evaluation of the "Delivering as one" experience, including the "One United Nations" funds, was submitted at the sixty-seventh session of the Assembly as part of the quadrennial comprehensive policy review in 2012 (A/66/859).

46. Table 5 below shows the amounts channelled through "One United Nations" funds in the eight "Delivering as one" pilot countries, with an indication of their share of total development-related expenditures of the United Nations system. The share of "One United Nations" funds of development-related expenditures in the eight countries combined was about 14 per cent, or 20 per cent, if Pakistan is

excluded. The success of the "One United Nations" funds in support of the concept of an integrated funding framework for the United Nations development system has therefore been moderate.

Table 5
"One United Nations" fund expenditure in pilot countries, 2011

Recipient	*"One United Nations" fund expenditure*	*Total development-related expenditure*	*"One United Nations" fund share of total*
	(millions of United States dollars)		*(percentage)*
Albania	7	24	30.6
Cape Verde	4	17	22.9
Mozambique	16	116	14.1
Pakistan	15	321	4.7
Rwanda	14	63	21.8
United Republic of Tanzania	25	121	20.3
Uruguay	1	29	4.0
Viet Nam	25	99	25.3
Total	**107**	**789**	**13.6**

B. Expenditures

Total expenditure

47. Table 6 below provides an overview of expenditures over the period 2006 to 2011 by total and by type of activity (development-related and humanitarian assistance-related). Figure VIII above shows that some 70 per cent of expenditures for operational activities for development in 2011 concerned programme activities at the country level, of which 47 per cent, or $8.0 billion, were in Africa. Accordingly, some 30 per cent of total expenditures related to programme activities at the regional and global levels, programme support and management and activities that could not be attributed to any of the above categories.

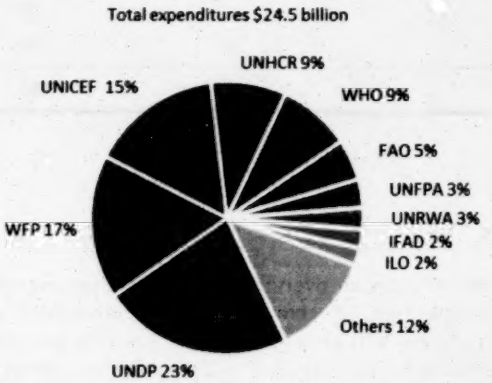
48. Development-related expenditures grew by some 15 per cent in real terms, or 3 per cent annually on average, between 2006 and 2011. Most of this growth occurred in 2009 when expenditures increased by 11 per cent in real terms compared with 2008. This illustrates that the United Nations development system is able to scale up its operations sizeably when called upon by the international community to do so.

Table 6
Expenditure on operational activities for development, 2006-2011

	Current United States dollars (billions)						*Percentage change*	
	2006	*2007*	*2008*	*2009*	*2010*	*2011*	*Nominal*	*Real*
Development-related	12.2	13.2	13.9	15.1	16.1	16.6	36	15
Humanitarian assistance-related	4.9	5.2	6.6	7.1	7.9	7.9	62	36
Total	**17.0**	**18.4**	**20.5**	**22.2**	**23.9**	**24.5**	**44**	**21**

49. As shown in figure XVII below, 10 United Nations entities accounted for some 88 per cent of total expenditures for operational activities for development in 2011, with the remaining 12 per cent spent by 27 entities.

Figure XVII
Expenditure by main entities on operational activities for development, 2011



50. Figure IX above shows the distribution and degree of concentration of development- and humanitarian assistance-related country-level programme expenditures in 2011 among the top 50 programme countries. Together, these countries accounted for 82 per cent of total programme expenditures. Table 7 below shows the top 10 programme countries/areas, which together accounted for some 43 per cent of total country-level expenditures in 2011, with an indication of expenditures per capita. Table B-2 of the online statistical annex provides a complete list of programme expenditures by programme country and by type of activity (development- and humanitarian assistance-related).

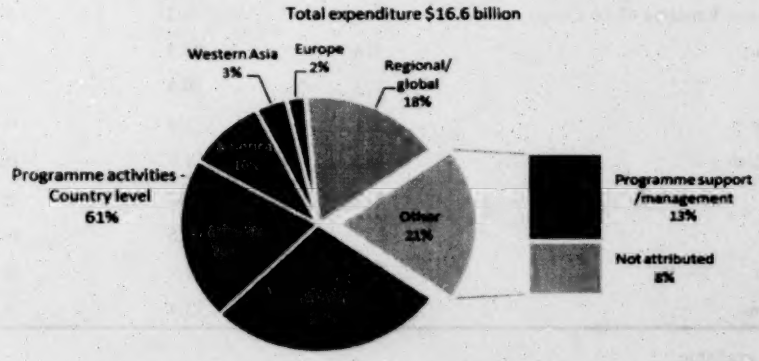
Table 7
Expenditure on operational activities for development in the top 10 programme countries/areas, 2011

	Expenditure (millions of United States dollars)			*Expenditure per capita (United States dollars)*
	Total	*Development*	*Humanitarian assistance*	
Afghanistan	1 347	1 040	307	38
Sudan	1 018	373	645	30
Pakistan	968	321	647	5
Ethiopia	722	232	490	9
Democratic Republic of the Congo	696	419	277	10
Somalia	652	376	276	68
Kenya	620	171	450	15
Occupied Palestinian Territory	493	56	437	123
Haiti	405	78	327	40
Chad	372	85	287	32

Development-related activities

51. While figure VIII above analyses expenditure components for operational activities for development as a whole, figure XVIII below shows the analysis for development-related expenditures (including local resources) only. Some 61 per cent of development-related expenditures in 2011 concerned programme activities at the country level, of which 44 per cent, or $4.4 billion, were in Africa. Accordingly, some 39 per cent of total expenditures concerned programme activities at the regional and global levels, programme support and management and activities that could not be attributed to any of the above categories.

Figure XVIII
Expenditure on development-related operational activities, 2011



Overall distribution of development-related programme expenditures

52. Figure XIX below provides an overview of the general distribution and degree of concentration of development-related programme expenditures in 2011 by country, ranked according to decreasing total expenditure. The top programme country, Afghanistan, accounts for about 10 per cent of total country-level expenditure. Table 8 shows the top 10 programme countries, which together accounted for close to 40 per cent of total expenditures on development-related activities in 2011, with an indication of expenditure per capita and expenditures as a percentage of GNI.

Figure XIX
Programme expenditure on development-related operational activities in the top 50 programme countries, 2011

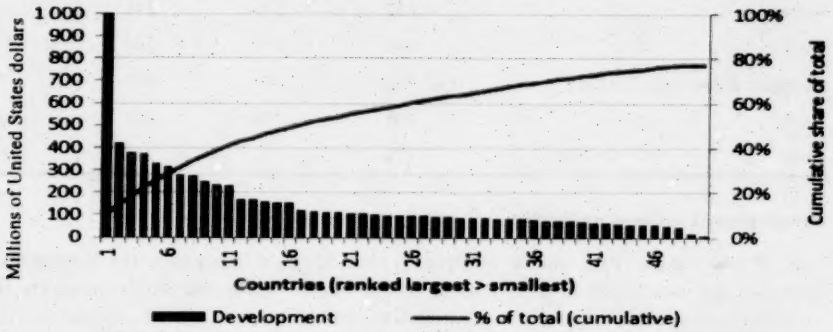


Table 8
Programme expenditure on development-related operational activities in the top 10 programme countries, 2011

	Total expenditure (millions of United States dollars)	*Per capita expenditure (United States dollars)*	*Expenditure as a share of GNI (percentage)*
Afghanistan	1 040	29.5	7.30
Democratic Republic of the Congo	419	6.2	3.19
Somalia	376	39.3	–[a]
Sudan	373	10.9	0.68
Pakistan	321	1.8	0.16
Bangladesh	282	1.9	0.24
India	276	0.2	0.02
Nigeria	237	1.5	0.12
Ethiopia	232	2.7	0.69
Zimbabwe	171	13.4	2.11

[a] Not available.

Development-related programme expenditure by country groupings in 2010

53. In reviewing operational activities for development and development assistance in general, reference is often made to country groupings that are based on certain common attributes and characteristics. Some of the groupings are based on defined, authoritative lists while others are not. The latter is the case with regard to groupings based on attributes such as conflict/post-conflict, crisis/post-crisis and different forms of transition stemming from disasters. The groupings used for analysis in the current report are those that are based on: (a) the income brackets defined by the World Bank for 2010: 35 for low-income countries, 57 for lower-middle income countries, 53 for upper-middle income countries and 11 for high-income countries; (b) formal United Nations categorizations: 49 least developed countries, 31 landlocked developing countries and 39 small island developing States; (c) informal United Nations categories, such as 18 integrated mission countries/areas[6] and the human development index for 2011, which shows 47 countries in the low human development index category, 47 in the medium human development index category and 43 in the high human development index category; and (d) generally accepted categorizations that capture different states of vulnerability: 31 countries in fragile situations (World Bank)[7] and 45 fragile States (OECD).[8] Groupings generally overlap in that a country can fall into more than one category. Annex III contains the full lists of countries in the different groupings used.

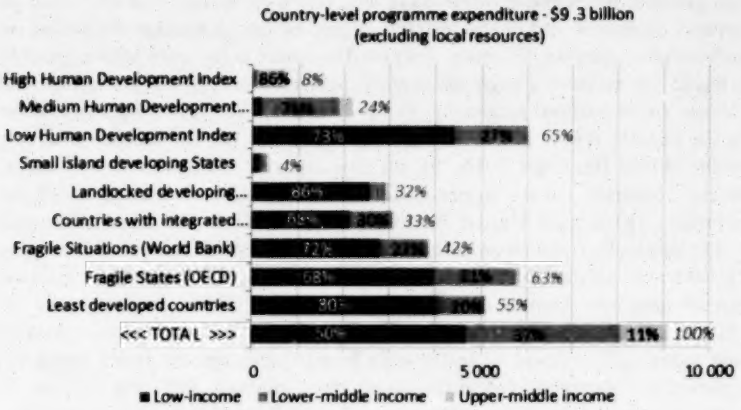
54. Figure XX below provides an overview of how country-level programme expenditures were distributed among the different country groupings by different income levels (World Bank 2010). Low-income countries accounted for some 50 per cent and middle-income countries for some 48 per cent of total expenditures. Least developed countries accounted for some 55 per cent of total expenditures, 80 per cent of which were in low-income countries and 20 per cent in lower-middle income countries. Countries with a low human development index accounted for some 65 per cent of expenditures, 73 per cent of which were in low-income and 27 per cent in lower-middle income countries. Since 2005, a number of programme countries have graduated from the low-income group to the middle-income groups. Some $2.0 billion, or 21 per cent of 2010 development-related expenditures, concerned the group of countries that have graduated since 2005.

[6] Where United Nations peace operations and development activities are pursued in an integrated manner.

[7] Harmonized list of the World Bank, the African Development Bank and the Asian Development Bank.

[8] Expanded list based on the World Bank list of countries in fragile situations.

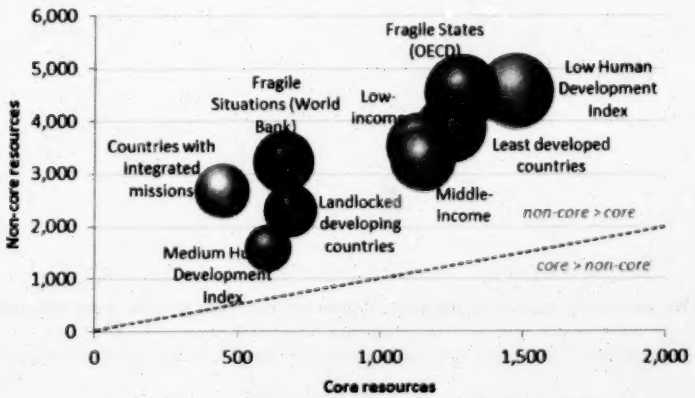
Figure XX
Development-related operational activities by major country groupings, 2010



55. Figure XXI below provides a different view of how country-level programme expenditures were distributed among the different country groupings by examining how total expenditures for each group and the two main sources of funding (core and non-core) compare. The figure shows that there is no marked difference between the core/non-core ratio for groupings such as landlocked developing countries, low-income countries, least developed countries, low human development index countries and fragile States (OECD). The ratio is markedly lower for groupings such as countries with a United Nations integrated mission and fragile situations (World Bank) and somewhat higher for the medium-level human development index and middle-income groupings.

Figure XXI
Country-level programme expenditure (excluding local resources) on development-related operational activities, by major country groupings, 2010: comparison of core, non-core and total funding

(Millions of United States dollars)



Correlation between core and non-core resources

56. Examining the possible correlation between the distribution of core and non-core resources is of interest if the distribution of core resources is seen as reflecting the totality of the multilateral mandates and strategies of the United Nations development system which were approved by governing bodies as part of intergovernmental processes. For purposes of the analysis, a perfect correlation would mean that for all countries, their individual share of non-core resources would be the same as their share of core resources. In this regard, figure XXII below provides an overview of the general distribution and degree of concentration of development-related programme expenditures in 2010 (excluding local resources) by country and by type of funding (core and non-core), but now with countries sorted according to decreasing total core expenditures. The cumulative share of total core expenditures is shown as well. For presentation purposes, expenditures in excess of $300 million are again not shown. Table 9 below shows the top 10 programme countries, in terms of core resources, which together accounted for some 30 per cent of core and 35 per cent of non-core development-related country-level programme expenditures in 2010, excluding local resources.

Figure XXII

Programme expenditure (excluding local resources) on development-related operational activities in the top 120 countries, 2010 (ranked by core expenditures)

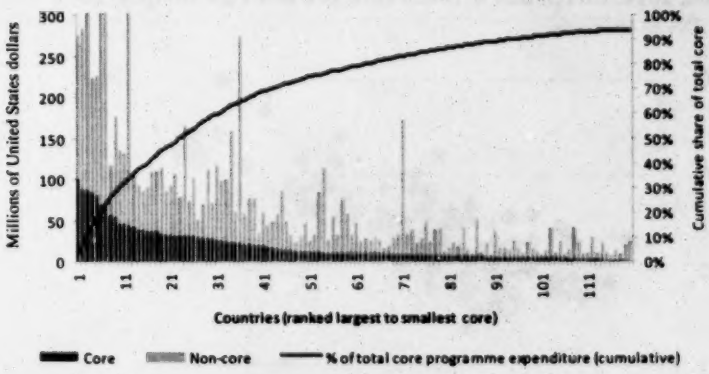


Table 9

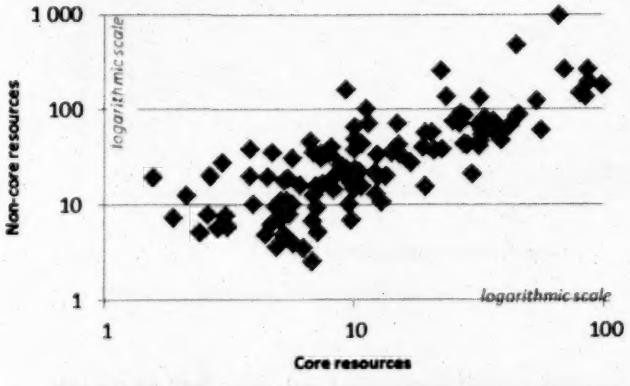
Expenditure on development-related operational activities, 2010, in the top 10 programme countries in terms of core resources

	Development-related expenditure (millions of United States dollars)			*Core expenditure per capita (United States dollars)*
	Core	*Non-core*	*Total*	
India	99	177	276	0.1
Bangladesh	88	196	284	0.6
Democratic Republic of the Congo	86	260	346	1.3
Nigeria	85	138	223	0.5

	Development-related expenditure (millions of United States dollars)			Core expenditure per capita (United States dollars)
	Core	Non-core	Total	
Ethiopia	81	146	227	1.0
Pakistan	69	259	328	0.4
Afghanistan	66	956	1 022	1.9
Uganda	56	61	117	1.7
Kenya	54	123	177	1.3
China	46	89	135	0.0

57. The 2010 correlation, based purely on financial data, is shown in figure XXIII below, which shows, on logarithmic scales, the relationship between core and non-core components of expenditures for each of the top 120 programme countries. The Pearson product-moment correlation coefficient, if used as an indicator, would suggest that the correlation for the United Nations development system as a whole can be considered as moderate.[9]

Figure XXIII
Country-level programme expenditure on development-related operational activities, 2010: correlation between core and non-core components
(Millions of United States dollars)



58. This correlation can be further examined for the impact of income and special development situations. The analysis shows that the correlation is stronger if the 31 countries in fragile situations[10] are excluded.

59. It is important to note that the correlation as calculated (a) applies to the United Nations development system as a whole; (b) is purely financial in character; and (c) does not necessarily indicate a causal relationship between the amount of

[9] Pearson product-moment correlation coefficient (PPMC): 0.62 (PPMC of 1 would indicate a perfect correlation).

[10] World Bank harmonized definition.

core and non-core resources. Given the composition of the United Nations development system with over 37 individual entities and the fragmented nature of non-core funding, causal relationships would be very much dependent on how activities form part of a deliberately interrelated and coherent system-wide programming and resource mobilization framework such as the United Nations Development Assistance Framework.

60. Similar analysis for individual agencies also shows that there are material differences in correlation factors thus calculated. For example, the financial correlation is stronger in the case of UNICEF than of UNFPA and UNDP, both when countries in fragile situations are included and excluded.[11] The usefulness and applicability of correlation reviews, such as the one used above, will continue to be explored and refined in future reports.

IV. Selected issues

Burden-sharing

61. Figure XIII above and table A-5 in the online statistical annex provide information about 2011 development-related contributions (DEV) by main source and type of funding (core and non-core). Some 59 per cent of total contributions for development-related activities were made by DAC countries.[12] This share is the combined result of the DAC countries contributing 84 per cent of total core resources and 47 per cent of total non-core resources.

62. In order to examine the issue of burden-sharing, development-related core contributions by individual DAC countries were reviewed relative to their GNI as expressed by a core DEV/GNI ratio. Figure XXIV below shows the outcome of this review, including how country-specific core DEV/GNI ratios compare to the median ratio of 0.0129 per cent for the group of DAC countries as a whole. It should be noted that a logarithmic scale is used on the horizontal axis in figure XXIV. As a result, countries that provide significantly different amounts of core contributions may appear relatively close to each other in the graph. The analysis confirms that burden-sharing is uneven. The 11 countries that show a core DEV/GNI ratio in excess of the median ratio (group A) together contributed $2.0 billion, or 50 per cent, of total DAC core contributions, while their share of total DAC GNI was only 15 per cent. The 11 countries that show a core DEV/GNI ratio below the median ratio (group B) contributed some 47 per cent of total DAC core contributions, but their share of total DAC GNI was 83 per cent.[13] This uneven burden-sharing has added importance in view of the fact that core resources are found to subsidize the support to, and management of, activities financed from non-core resources. This is further reviewed in chapter IV, section C of the previous funding report (A/67/94-E/2012/80).

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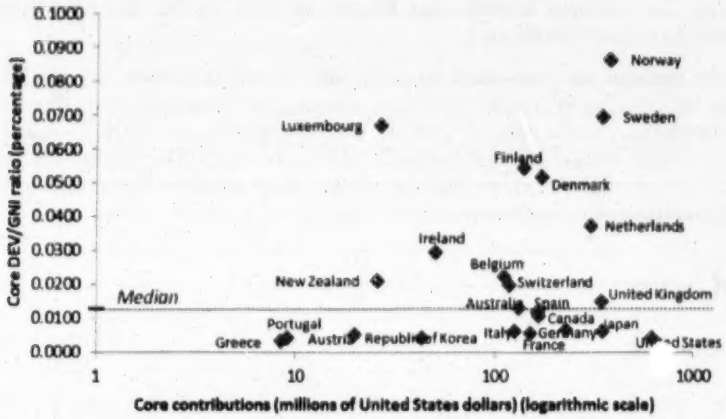
[11] The respective PPMCs are: UNICEF — 0.73/0.85; UNFPA — 0.59/0.49 and UNDP — 0.39/0.62.

[12] Excluding contributions to multi-donor trust funds. Figure XII above shows the OECD/DAC share when multi-donor trust funds are included.

[13] The remaining 3 per cent of contributions and 2 per cent of total GNI is accounted for by the country with the median ratio.

Figure XXIV
Contributions by DAC countries to core resources for development-related operational activities, 2011, relative to GNI (core DEV/GNI ratio)



63. Based on the information above, a number of scenarios can be reviewed to frame further discussions on the issue of burden-sharing.

Contributions based on the median core DEV/GNI ratio as a "rate of assessment"

64. If the 2011 median core DEV/GNI ratio were to be set as a "rate of assessment" and all DAC countries contributed accordingly, total core contributions would increase by some $1.3 billion, or 27 per cent, to $6.2 billion.[14] Contributions by group A countries would decrease by $1.2 billion, or 61 per cent, to some $0.8 billion and contributions by group B countries would more than double and increase to $4.4 billion.

Contributions based on the median core DEV/GNI ratio as a "rate for negotiated pledging"

65. If the 2011 median DEV/GNI ratio were to be applied as a minimum target for a system of negotiated pledges, total core contributions would increase by some $2.6 billion, or 52 per cent, to $7.4 billion. Contributions by group A countries would remain the same and contributions by group B countries would, as in the first scenario, more than double and increase to $4.4 billion.

[14] The table in annex II shows how these figures were derived.

Covering shortfalls by switching non-core contributions to core contributions

66. An analysis was made of the extent to which shortfalls in core contributions by group B countries in either one of the scenarios set out above could be covered by those countries switching existing non-core contributions to core contributions. The outcome of the analysis shows that of the total shortfall of $2.6 billion, some $1.8 billion, or close to 70 per cent, could indeed be covered by shifting all or part of existing non-core contributions to core contributions.

67. On a number of occasions, various governing bodies have called for or discussed the desirability of a major shift of donor country contributions from non-core to core. Achieving such a shift may prove difficult. As the strategic priorities of the United Nations system have become more complex over the decades, so have those of the major donor countries. In general, donor country aid policies are much more carefully targeted today than in the past — either by theme or beneficiary, or by some combination of the two. Donor aid ministries have also over the years added many new targeted funding lines to their institutional and budgetary structures. Core resources generally come from a budget line used to sustain long-term strategic partnerships with multilateral organizations. Here, the competition for resources has increased dramatically, with the European Union and the global funds being but two examples.

68. While further research is necessary to confirm the details, most of the non-core funding does not come from these same multilateral budget lines, but from "country-targeted" or "theme-targeted" funding lines that may even be controlled by different line ministries. Most of these budget lines have very clear legislative or regulatory conditions that govern their use, with some combination of beneficiary or thematic targeting. Whether purpose-limited by legislation or internal ministry regulation, these funds do not easily cross budget lines. A parallel can be found in the United Nations system. Despite the considered importance of "One United Nations" funds to "Delivering as one" approaches in the field, no major United Nations entity has been able to contribute fully unearmarked funds to any of the "One United Nations" funds. The funds of a United Nations organization cannot, without serious policy or regulatory problems, cross over into the budget of another entity to be used for purposes different from those for which they were contributed.

69. In the near future, a survey is planned for DAC donor countries in an attempt to understand more fully the nature and importance of these legislative or regulatory restrictions. The report of the Secretary-General on funding to be submitted to the Economic and Social Council in 2013 will provide further details on the findings of this survey.

Annex I

Technical note on definitions, sources and coverage

For the purposes of the present report, the United Nations development system is defined as the 37 entities[a] which reported funding for operational activities for development in 2011 (this does not include the Bretton Woods institutions).

Among the entities that constitute the United Nations development system, there has been no commonly agreed definition of key terms such as "operational activities for development" and "contributions".

This report begins to address this shortcoming by defining operational activities for development as those activities of the United Nations development system entities which promote the sustainable development and welfare of developing countries and countries in transition. They cover both longer-term development-related activities as well as those with a humanitarian assistance focus and relate to the work of those United Nations funds, programmes, specialized agencies, departments and offices which have a specific mandate in this regard.

The specialized agencies have adopted coefficients to measure the share of assessed or regular budget contributions considered to be for operational activities for development based on consultations with DAC. For agencies such as UNIDO, WHO, ILO, UNESCO and FAO, this share is very significant, as shown in the following table:

Percentage of assessed or regular budget contributions of specialized agencies defined as being for operational activities for development

Entity	*Percentage*
FAO	51
IAEA	33
ICAO	0
ILO	60
IMO	0
ITU	18
UNESCO	60
UNIDO	100
UNWTO	0
UPU	16
WHO	76
WIPO	3
WMO	4

[a] ECA, ECE, ECLAC, ESCAP, ESCWA, FAO, IAEA, ICAO, IFAD, ILO, IMO, ITC, ITU, OHCHR, UNAIDS, UNCTAD, UNODC, Department of Economic and Social Affairs, UNDP (including UNV and UNCDF), UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, Office for the Coordination of Humanitarian Affairs, UNRWA, UN-Women, UNWTO, UPU, WFP, WHO, WIPO, WMO.

Many United Nations entities do not use the terms "core" and "non-core" when classifying contributions. For example, WFP uses the terms "multilateral contribution" and "directed multilateral contribution" to define "core" and "non-core" resources, respectively. UNHCR uses the terms "unrestricted", "tightly earmarked" and "lightly earmarked" to classify its contributions.

Specialized agencies have assessed contributions or a regular budget which is supplemented by "extrabudgetary resources". For system-wide reporting purposes, all the above terms are grouped under "core" and "non-core" resources, with the former referring to unearmarked funding that is used at the sole discretion of the respective United Nations entity and its governing board and the latter meaning earmarked funding that is directed by donors towards specific locations, themes, activities and operations.

Harmonization of the terms "core" and "non-core" within the United Nations development system is difficult to achieve, owing to the different business models adopted by funds, programmes and specialized agencies, as illustrated in the following table:

Terms used by different entities for core and non-core contributions

Core	*Entity*	*Non-core*	*Entity*
Regular resources	UNDP,[a] UNCDF, UN-Women, UNV, UNICEF, UNFPA	Other resources	UNDP, UNCDF, UN-Women, UNV, UNICEF, UNFPA
Multilateral contribution	WFP	Directed multilateral contribution	WFP
Regular budget	UNRWA, Department of Economic and Social Affairs, UN-Habitat, UNCTAD, ITC	Projects and emergency appeals	UNRWA
Unearmarked contribution	UNHCR,[a] Office for the Coordination of Humanitarian Affairs,[a] IFAD, OHCHR	Earmarked contribution	IFAD, Office for the Coordination of Humanitarian Affairs, UNEP, UN-Habitat, OHCHR
		Tightly earmarked	UNHCR, DAC
		Lightly earmarked	UNHCR, DAC
Environment Fund	UNEP[a]		

Core	*Entity*	*Non-core*	*Entity*
Core resources	UNAIDS, DAC	Extrabudgetary contribution	UNAIDS, UNCTAD, Department of Economic and Social Affairs, ITC, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNIDO, UPU, UNWTO, WIPO, WMO, ECA, ECE, ECLAC, ESCAP, ESCWA
General purpose fund	UNODC[a]	Special purpose fund	UNODC
Assessed budget	FAO, ICAO, ILO, ITU, UNESCO, UNIDO, UPU, UNWTO, WHO, WIPO, WMO, ECA, ECE, ECLAC, ESCAP, ESCWA	Voluntary contributions — core	WHO
Technical Cooperation Fund	IAEA,[a] IMO[a]	Voluntary contributions — specified	WHO

[a] Also receives a regular budget contribution.

Instead, a more pragmatic approach is proposed wherein these terms are mapped against those used in the present report so that it is clear how they relate to each other.

Data on contributions and expenditures are obtained directly from United Nations funds and programmes (UNDP (including UNDP-administered funds, i.e., UNCDF and UNV), UNEP, UNFPA, UNHCR, UNICEF, UN-Women, WFP, UNCTAD, ITC, UN-Habitat, UNODC and UNRWA), IFAD, UNAIDS, the Department of Economic and Social Affairs, the regional commissions and the specialized agencies (FAO, ICAO, ILO, UNESCO, UNIDO, IAEA, IMO, UNWTO, UPU, WIPO and WMO). Data on the contributions and expenditures of OHCHR as well as the Office for the Coordination of Humanitarian Affairs are gathered using the annual financial statements produced by these organizations. A country-level breakdown of WHO expenditures for 2011 was not available. Instead, a previous country-level expenditure breakdown was used and prorated against WHO total expenditures in 2011. In addition, IAEA, ITC, ITU, UPU, WIPO and WMO did not provide expenditure data broken down by programme country. Thus, the 2010 expenditure allocation by country was used and prorated against the total expenditures reported by these entities in 2011. Data on official development assistance are derived from DAC annual reports. Data on multi-donor trust funds were obtained directly from the UNDP Multi-Donor Trust Funds Office gateway.

In this report, the term "real terms" refers to constant 2010 United States dollars computed using the DAC deflators, which take into account both inflation and exchange rate movements.

Data on contributions refers to actual funding for operational activities for development received in a given calendar year from Governments and other public and private sources by organizations in the United Nations system. Data on resource transfers from one agency of the system to another are excluded wherever possible. Data on expenditures represent the support provided by the organizations of the United Nations system for operational activities for development in developing countries. Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.

The designations employed and the presentation of the information in the report do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" as used in the report also refers, as appropriate, to territories or areas. A hyphen between dates representing years signifies the full period involved, including the beginning and end years.

Annex II

Burden-sharing

2011 Contributions	*Actual development-related contributions*							*Core levels based on median core/GNI*			*Making up core shortfalls with existing non-core*		
	GNI	*Core*	*Non-core*	*Total*	*Core/GNI*	*Non-core/GNI*	*Total/GNI*	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*
Donor	*(Millions of United States dollars)*				*(Percentage)*			*(Millions of United States dollars)*					
Australia	1 030 268	133	249	383	0.0129	0.0242	0.0372	133	249	383	133	249	383
Austria	406 643	20	14	34	0.0049	0.0035	0.0083	53	14	67	34	0	34
Belgium	508 092	112	75	188	0.0221	0.0148	0.0369	66	75	141	112	75	188
Canada	1 570 886	167	376	542	0.0106	0.0239	0.0345	203	376	579	203	339	542
Denmark	336 626	174	119	293	0.0517	0.0353	0.0870	44	119	163	174	119	293
Finland	260 831	141	70	211	0.0541	0.0269	0.0810	34	70	104	141	70	211
France	2 775 664	152	76	228	0.0055	0.0028	0.0082	359	76	436	228	0	228
Germany	3 594 303	229	179	408	0.0064	0.0050	0.0113	465	179	645	408	0	408
Greece	282 976	8	1	10	0.0030	0.0005	0.0034	37	1	38	10	0	10
Ireland	173 120	51	30	81	0.0293	0.0176	0.0468	22	30	53	51	30	81
Italy	2 146 998	126	137	262	0.0059	0.0064	0.0122	278	137	415	262	0	262
Japan	5 774 376	353	687	1 040	0.0061	0.0119	0.0180	747	687	1 434	747	292	1 040
Luxembourg	1 038 981	43	40	84	0.0042	0.0039	0.0080	134	40	175	84	0	84
Netherlands	40 393	27	35	62	0.0670	0.0863	0.1532	5	35	40	27	35	62
New Zealand	830 219	308	302	611	0.0372	0.0364	0.0736	107	302	410	308	302	611
Norway	124 177	26	8	34	0.0210	0.0061	0.0271	16	8	24	26	8	34
Portugal	440 185	380	425	805	0.0864	0.0966	0.1830	57	425	482	380	425	805
Republic of Korea	226 021	9	5	14	0.0040	0.0020	0.0061	29	5	34	14	0	14
Spain	1 432 813	165	178	343	0.0115	0.0124	0.0239	185	178	363	185	158	343
Sweden	503 188	350	255	605	0.0695	0.0507	0.1203	65	255	320	350	255	605
Switzerland	603 917	119	70	189	0.0197	0.0117	0.0314	78	70	149	119	70	189
United Kingdom of Great Britain and Northern Ireland	2 366 544	347	679	1 025	0.0146	0.0287	0.0433	306	679	985	347	679	1 025
United States of America	15 097 083	624	877	1 501	0.0041	0.0058	0.0099	1 954	877	2 831	1 501	0	1 501
DAC countries	**41 564 303**	**4 064**	**4 889**	**8 953**	**0.0098**	**0.0118**	**0.0215**	**5 380**	**4 889**	**10 269**	**5 845**	**3 107**	**8 953**

Annex III

Country groupings

List of countries/areas by income group

Low-income	*Low-middle-income*	*Upper-middle-income*	*High-income*
Afghanistan	Angola	Albania	Andorra
Bangladesh	Armenia	Algeria	Australia
Benin	Belize	Antigua and Barbuda	Austria
Burkina Faso	Bhutan	Argentina	Bahamas
Burundi	Bolivia (Plurinational State of)	Azerbaijan	Bahrain
Cambodia	Cameroon	Belarus	Barbados
Central African Republic	Cape Verde	Bosnia and Herzegovina	Belgium
Chad	Congo	Botswana	Brunei Darussalam
Comoros	Côte d'Ivoire	Brazil	Canada
Democratic People's Republic of Korea	Djibouti	Bulgaria	Croatia
Democratic Republic of the Congo	Egypt	Chile	Cyprus
Eritrea	El Salvador	China	Czech Republic
Ethiopia	Fiji	Colombia	Denmark
Gambia	Georgia	Cook Islands	Equatorial Guinea
Guinea	Ghana	Costa Rica	Estonia
Guinea-Bissau	Guatemala	Cuba	Finland
Haiti	Guyana	Dominica	France
Kenya	Honduras	Dominican Republic	Germany
Kyrgyzstan	India	Ecuador	Gibraltar
Liberia	Indonesia	Gabon	Greece
Madagascar	Iraq	Grenada	Hungary
Malawi	Kiribati	Iran (Islamic Republic of)	Iceland
Mali	Kosovo	Jamaica	Ireland

Low-income	*Low-middle-income*	*Upper-middle-income*	*High-income*
Mozambique	Lao People's Democratic Republic	Jordan	Israel
Myanmar	Lesotho	Kazakhstan	Italy
Nepal	Marshall Islands	Latvia	Japan
Niger	Mauritania	Lebanon	Kuwait
Rwanda	Micronesia (Federated States of)	Libya	Liechtenstein
Sierra Leone	Mongolia	Lithuania	Luxembourg
Somalia	Morocco	Malaysia	Malta
Tajikistan	Nicaragua	Maldives	Monaco
Togo	Nigeria	Mauritius	Netherlands
Uganda	Niue	Mexico	New Zealand
United Republic of Tanzania	Occupied Palestinian Territory	Montenegro	Norway
Zimbabwe	Pakistan	Namibia	Oman
	Papua New Guinea	Palau	Poland
	Paraguay	Panama	Portugal
	Philippines	Peru	Qatar
	Republic of Moldova	Romania	Republic of Korea
	Samoa	Russian Federation	San Marino
	Sao Tome and Principe	Serbia	Saudi Arabia
	Senegal	Seychelles	Singapore
	Solomon Islands	South Africa	Slovakia
	Sri Lanka	Saint Kitts and Nevis	Slovenia
	Sudan	Saint Lucia	Spain
	Swaziland	Saint Vincent and the Grenadines	Sweden
	Syrian Arab Republic	Suriname	Switzerland
	Timor-Leste	Thailand	Trinidad and Tobago
	Tonga	The former Yugoslav Republic of Macedonia	United Arab Emirates

Low-income	*Low-middle-income*	*Upper-middle-income*	*High-income*
	Turkmenistan	Tunisia	United Kingdom of Great Britain and Northern Ireland
	Tuvalu	Turkey	United States of America
	Ukraine	Uruguay	
	Uzbekistan	Venezuela (Bolivarian Republic of)	
	Vanuatu		
	Viet Nam		
	Yemen		
	Zambia		

List of countries/areas by United Nations categorization

Least developed countries	*Landlocked developing countries*	*Small island developing States/areas*	*Integrated mission countries/areas*
Afghanistan	Afghanistan	Anguilla	Afghanistan
Angola	Armenia	Antigua and Barbuda	Burundi
Bangladesh	Azerbaijan	Aruba	Central African Republic
Benin	Bhutan	Bahamas	Côte d'Ivoire
Bhutan	Bolivia (Plurinational State of)	Bahrain	Democratic Republic of the Congo
Burkina Faso	Botswana	Barbados	Guinea-Bissau
Burundi	Burkina Faso	Belize	Haiti
Cambodia	Burundi	British Virgin Islands	Iraq
Central African Republic	Central African Republic	Cape Verde	Lebanon
Chad	Chad	Comoros	Liberia
Comoros	Ethiopia	Cook Islands	Libya
Democratic Republic of the Congo	Kazakhstan	Cuba	Nepal
Djibouti	Kyrgyzstan	Dominica	Sierra Leone
Equatorial Guinea	Lao People's Democratic Republic	Dominican Republic	Somalia
Eritrea	Lesotho	Fiji	Sudan

Least developed countries	*Landlocked developing countries*	*Small island developing States/areas*	*Integrated mission countries/areas*
Ethiopia	Malawi	French Polynesia	Timor-Leste
Gambia	Mali	Grenada	Kosovo
Guinea	Mongolia	Guam	Occupied Palestinian Territory
Guinea-Bissau	Nepal	Guinea-Bissau	
Haiti	Niger	Guyana	
Kiribati	Paraguay	Haiti	
Lao People's Democratic Republic	Republic of Moldova	Jamaica	
Lesotho	Rwanda	Kiribati	
Liberia	Swaziland	Maldives	
Madagascar	Tajikistan	Marshall Islands	
Malawi	The former Yugoslav Republic of Macedonia	Mauritius	
Maldives	Turkmenistan	Micronesia (Federated States of)	
Mali	Uganda	Montserrat	
Mauritania	Uzbekistan	Nauru	
Mozambique	Zambia	Netherlands Antilles	
Myanmar	Zimbabwe	Niue	
Nepal		Palau	
Niger		Papua New Guinea	
Rwanda		Saint Kitts and Nevis	
Samoa		Saint Lucia	
Sao Tome and Principe		Saint Vincent and the Grenadines	
Senegal		Samoa	
Sierra Leone		Sao Tome and Principe	
Solomon Islands		Seychelles	
Somalia		Singapore	
Sudan		Solomon Islands	

Least developed countries	*Landlocked developing countries*	*Small island developing States/areas*	*Integrated mission countries/areas*
Timor-Leste		Suriname	
Togo		Timor-Leste	
Tuvalu		Tonga	
Uganda		Trinidad and Tobago	
United Republic of Tanzania		Tuvalu	
Vanuatu		Vanuatu	
Yemen			
Zambia			

Classification of countries/areas by the human development index

Low	*Medium*	*High*
Afghanistan	Algeria	Albania
Angola	Bhutan	Antigua and Barbuda
Bangladesh	Bolivia (Plurinational State of)	Armenia
Benin	Botswana	Azerbaijan
Burkina Faso	Cambodia	Belarus
Burundi	Cape Verde	Belize
Cameroon	China	Bosnia and Herzegovina
Central African Republic	Congo	Brazil
Chad	Dominican Republic	Bulgaria
Comoros	Egypt	Colombia
Côte d'Ivoire	El Salvador	Costa Rica
Democratic Republic of the Congo	Equatorial Guinea	Cuba
Djibouti	Fiji	Dominica
Eritrea	Gabon	Ecuador
Ethiopia	Ghana	Georgia
Gambia	Guatemala	Grenada
Guinea	Guyana	Iran (Islamic Republic of)
Guinea-Bissau	Honduras	Jamaica

Low	*Medium*	*High*
Haiti	India	Kazakhstan
Kenya	Indonesia	Kuwait
Lesotho	Iraq	Lebanon
Liberia	Jordan	Libya
Madagascar	Kiribati	Malaysia
Malawi	Kyrgyzstan	Mauritius
Mali	Lao People's Democratic Republic	Mexico
Mauritania	Maldives	Montenegro
Mozambique	Micronesia (Federated States of)	Palau
Myanmar	Mongolia	Panama
Nepal	Morocco	Peru
Niger	Namibia	Saint Kitts and Nevis
Nigeria	Nicaragua	Saint Lucia
Pakistan	Occupied Palestinian Territory	Saint Vincent and the Grenadines
Papua New Guinea	Paraguay	Saudi Arabia
Rwanda	Philippines	Serbia
Sao Tome and Principe	Republic of Moldova	Seychelles
Senegal	Samoa	The former Yugoslav Republic of Macedonia
Sierra Leone	South Africa	Tonga
Solomon Islands	Sri Lanka	Trinidad and Tobago
Somalia	Suriname	Tunisia
Sudan	Swaziland	Turkey
Timor-Leste	Syrian Arab Republic	Ukraine
Togo	Tajikistan	Uruguay
Uganda	Thailand	Venezuela (Bolivarian Republic of)
United Republic of Tanzania	Turkmenistan	
Yemen	Uzbekistan	
Zambia	Vanuatu	
Zimbabwe	Viet Nam	

List of countries/areas categorized by the World Bank and Organization for Economic Cooperation and Development as fragile

World Bank list of countries in fragile situations	*OECD list of fragile States/areas*
Afghanistan	Afghanistan
Angola	Angola
Bosnia and Herzegovina	Bangladesh
Burundi	Burkina Faso
Central African Republic	Burundi
Chad	Cameroon
Comoros	Central African Republic
Congo	Chad
Côte d'Ivoire	Comoros
Democratic Republic of the Congo	Congo
Eritrea	Côte d'Ivoire
Georgia	Democratic People's Republic of Korea
Guinea	Democratic Republic of the Congo
Guinea-Bissau	Eritrea
Haiti	Ethiopia
Iraq	Georgia
Kiribati	Guinea
Kosovo	Guinea-Bissau
Liberia	Haiti
Myanmar	Iraq
Nepal	Kenya
Sao Tome and Principe	Kiribati
Sierra Leone	Lebanon
Solomon Islands	Liberia
Somalia	Malawi
Sudan	Myanmar
Tajikistan	Nepal

World Bank list of countries in fragile situations	*OECD list of fragile States/areas*
Timor-Leste	Niger
Togo	Nigeria
Yemen	Occupied Palestinian Territory
Zimbabwe	Pakistan
	Papua New Guinea
	Sao Tome and Principe
	Sierra Leone
	Solomon Islands
	Somalia
	Sri Lanka
	Sudan
	Tajikistan
	Timor-Leste
	Togo
	Uganda
	Uzbekistan
	Yemen
	Zimbabwe

Annex IV

Statistical tables posted on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination of the Department of Economic and Social Affairs[a]

A. Contributions for operational activities for development

1. Contributions by entity: 2006-2011
2. Contributions by entity and type of funding (core and non-core): 2006-2011
3. Contributions by source, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core): 2011
4. Contributions by source, entity and type of funding (core and non-core): 2011
5. Top contributors to development-related activities: 2011

B. Expenditures on operational activities for development

1. Expenditures by entity: 2006-2011
2. Expenditures by recipient and type of activity (development- and humanitarian assistance-related): 2011
3. Expenditures by recipient and entity: 2011
4. Expenditures by region: 2011

[a] http://www.un.org/en/development/desa/oesc/funding.shtml.